

29 December 1963

MEMORANDUM FOR THE RECORD

SUBJECT: Discussions with President Johnson at the Johnson Ranch
on Friday, December 27th

1. I arrived at the ranch by Jet Star from Seattle, arriving at midnight on Thursday, December 26th. I stayed in a guest room at President Johnson's residence. President Johnson and I ate breakfast alone the following morning and then with Pierre Salinger took a long walk. Following the discussion two memoranda were prepared by me for the President's subsequent use. Memorandum marked #1 was to be used by him in discussing our meeting later in the day when he met with a large number of the press. Memorandum #2 was for discussion with Secretary Rusk and others and for subsequent release to the press.

2. At breakfast the President immediately brought up his desire to "change the image of the DCI" from a cloak and dagger role to the role of an adviser to the President on world situations derived from intelligence sources which were of importance to the President in reaching policy decisions. For this reason he intended to call upon me for a great many activities which would be different from those of the past. As an example, he wished me to return to California to meet with President Eisenhower to discuss with him certain aspects of the world situation and also the particular actions which President Johnson had taken in the interest of government economy.

3. I responded that this was very much in line with my thinking. I was willing to do anything that he desired. I then produced the Truman article and the Starnes article and explained to him that a statement of this type by President Truman would do great damage, that it would be used by many columnists who enjoyed criticizing CIA,

that the Truman article and later editorials such as the Starnes article would undoubtedly be introduced into the Congressional Record by such critics of CIA as Senator Eugene McCarthy and would be used in an attempt to bring about legislation creating a joint committee on intelligence (Watchdog Committee). The President said that he had read the Truman article, that he thought it was a mistake and that he would do all that he could to arrest any such impressions concerning CIA's activities.

4. The specific items which we discussed are covered in attached memorandum #1.

NOTE: The ink changes were made by DCI and a clean draft prepared for the President. The pencil changes were made by Secretary Rusk, who read the memorandum immediately prior to my departure from Johnson City.

5. Reference item #1, the President expressed concern over the safety of Americans in Cyprus. I indicated that we felt that the British military which totalled about 11,000 with 500 reinforcements being moved in at the present time ensured safety of Americans and that the situation appeared to be reasonably in hand, although the future was by no means clear.

6. The President asked for a detailed briefing on the Yemen and how the situation evolved. I explained the background of the establishment of the Yemen Republic under Sallal and our recognition of that Republic at the urging of Nasser. I indicated that the British had not recognized the Yemen Republic and were critical of us for doing so. I told the President that the Yemen for a long period of time -- hundreds of years -- had been governed by a chief chosen on an understanding among tribal leaders and sheiks, the most recent being Badr. This government was overthrown by revolution and the new government was immediately supported by Nasser. However, when Nasser moved in troops in substantial numbers, military officers who overthrew the Iman became discouraged. A great many of them defected and returned to their old tribal leaders; others became neutral. As a result, Nasser was required to send in increasing numbers of troops and his forces now totalled 30,000 to 32,000. This is about one-third of his total armed forces. The costs to Nasser of the Yemeni

operation are very high. They are estimated at about \$50 to \$75 million dollars. The situation now was difficult because the only military forces sustaining the Yemen Republic Government were the Nasser forces and the Egyptians were really running the country with the Yemen political authorities acting in a subservient position and with little authority. As a result, dissension was growing among the Yemen Government officials who resented the control and authority exercised by the UAR presence.

7. I then said that Ambassador Bunker had completed a rather effective negotiation last summer under which Faisal would cease supplying arms to the royalists, who had retired to the north into the hills, providing the UAR withdrew its troops. Nasser had agreed to withdraw 5,000 troops; however, to date he had withdrawn only 1,000 to 1,200. The initial withdrawals were to have taken place prior to November 4th, at which time the authority of the United Nations Yemen Observation Mission (UNYOM) would come to a halt. After some considerable negotiations the UNYOM was extended until January 4th. The problem now was whether Faisal and Nasser would agree to further extension. If they did not it was highly probable that Faisal would again start to supply arms to the royalists, and that Nasser would escalate military activities against the royalists and into Saudi Arabia. I pointed out that this was an extremely critical matter, not because of the importance of Yemen, but because of our entire relationship with the Saudi Arabian Government and the importance of Saudi oil reserves to our national interest. The President asked what should be done and I said that every effort should be made to extend the January 4th date in the hopes that with the passage of time the Yemen resentment to UAR occupation would increase to a point where the UAR would be forced to withdraw increasing numbers of troops and the threat to Faisal would thus be relieved.

8. With respect to the situation in South Vietnam, I stated there was nothing to add to the report that McNamara and I gave when we returned a week ago. However, I felt that President Macapagal's offer to use his good offices in the Cambodian dispute was constructive and we should try to encourage Macapagal to influence not only Sihanouk, but also Sukarno and others in the Far East. I expressed confidence in Macapagal and urged that we develop a close understanding and relationship with him.

9. We discussed briefly the economic situation in the Soviet Union, Communist China and the satellites. The President requested a briefing for the Congressional Committee Chairmen, details of which will be discussed later in this memorandum. The President asked if Khrushchev had taken any action or said anything of importance recently and I said no, that I felt that Khrushchev was pretty well consumed with his internal problems and the Sino-Soviet relationship and that he had been remarkably quiet with respect to the West. I did point out however that Castro had made some statements concerning President Johnson that were not unlike those which he had made from time to time about President Kennedy.

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I reviewed briefly the most recent summary (the CIA-DIA assessment of 20 December) of the situation in Cuba, advising the President that there had been no additions to the Soviet forces but no appreciable withdrawal. There had been a substantial turnover in recent months and the probability was that a few hundred -- and not more than a few hundred -- Soviets had departed. This was about the extent of the net reduction. I said that it appeared that the Soviet activities were entirely of a training nature, that the Cuban SAM trainees had been deployed at SAM sites and that there was a possibility that autonomous Cuban control of the SAM sites would present us with a very difficult situation in the immediate future. The President then asked what could be done if the Cubans decided to use the SAMs against our U-2's. I stated that we could not go without continuing aerial surveillance. We had two choices: either use our "new development," which I opposed because of its importance for other purposes, or tentatively to actually "take out" the SAM sites. The President remarked that this would then mean war and I responded that certainly the destruction of the SAM sites would mean war, that the degree of escalation could not be determined in advance. I stated that this was the most ominous situation that confronted us in Cuba in the immediate future. The President made no comment.

10. The President then asked that I return to California, arrange to see President Eisenhower and brief him in detail on world conditions and also on the actions taken by President Johnson to promote economy in government, to reduce government employment, and to take such

actions as are possible to reduce the 1965 budget. It is obvious that the President feels the need of substantial Republican support in his tax legislation and wishes the Republican side of the House to know that actions he has taken will reduce the 1965 budget substantially below the Kennedy level. However, he does not hope for anything that would approach a balanced budget. He mentioned a forecasted income of \$91 or \$92 billion dollars from taxes and other receipts under the new tax legislation. He explained that the Federal budget would be in the order of \$102 or \$103 billion. He started with the FY '64 budget of \$99 billion. To this must be added \$1.7 billion for pay increases which had been voted and increased costs which were uncontrollable. Another \$1.7 or \$1.8 billion must be added to finance programs which had become law to prior legislative action. This included educational funds, welfare expenditures, public works, etc. None of these could be removed, and therefore, the total additions were thus about \$3.5 billion. Moreover, additions requested by each and every department had to be considered. However, he had succeeded in reducing more than one billion Defense appropriations previously requested and approved by President Kennedy. At a recent Cabinet meeting had cut off at least \$700 million from various departments. In addition, he had issued stern orders concerning reductions in personnel and other economy measures. What he wanted me to do was to get all of his orders and messages, go over them in detail with President Eisenhower, and get Eisenhower's reactions. This I agreed to.

ACTION: The White House is to deliver to General Carter copies of the President's orders. If they do not do so, it is very important to receive a copy of a memorandum dictated by Eisenhower for Johnson on Sunday, November 24th. If this document is not included in the papers delivered to us by the White House, then we should get in touch with Mr. Moyers or Mr. Valenti and arrange for the President to release this specific document. In addition I would like as much in the way of definitive figures as General Carter can get from the Director of the Bureau of the Budget. What I must have are some specific actions to show Eisenhower just what is being done, otherwise, I am sure that he will feel that he is being used if he hears only statements of generalities.

11. Now turning to memorandum #2, I told the President that we were making a study in depth of the Soviet and Chinese Communist

economies and that I felt that the Heads of State and two or three other officials in Britain, Germany, France and Italy, and possibly Japan, and perhaps one or two other countries, should be briefed for the reasons explained in the memorandum.

The President agreed and suggested that he might make such an announcement. I urged that this not be done until after he had had a thorough discussion with Secretary Rusk

The President agreed to discuss this with Rusk upon his arrival at the ranch on the 27th. He did not state definitely whether he would announce the plan today or not. I emphasized the very great importance of having the fragile nature of the Soviet economy thoroughly understood by Sukarno and this might best be conveyed to him through Macapagal. The President agreed to discuss with Rusk.

12. NOTE: We should continue work on briefing and get particulars on to graphics as they represent probably the best way that information of this kind can be presented convincingly and briefly to foreign Heads of State.

13. The President then said he thought he should call together the heads of all committees of the Senate and House and that I should give them a 15-minute briefing on Soviet military capabilities, sanitizing to the extent necessary and that I should follow this with a briefing on the Soviet and ChiCom economies. He thought I should then be followed by Rusk commenting on world conditions and McNamara covering United States military posture. The President would also make some remarks to sum up. Work should be started on the briefing papers immediately. The President desired that the briefing run 15 minutes, although I do not think he would object seriously to a 20-minute briefing.

14.

The President took a reservation on the suggestion by Secretary Rusk. I said that I had some serious reservations as did the senior people in CIA. I urged that the President discuss the subject with Rusk which he agreed to do and then we could have a further talk prior to taking any action. I would like the pros and cons of this considered by the staff for review with me upon my return.

15. Items 3, 4 and 5 of memorandum #2 require no further expansion. With respect to item #5, the President desired to have the entire Business Council for luncheon. I felt it would be more effective to have a small group, but he felt it would be impossible to discriminate between members of the Council and therefore intends to ask all of them. He does not feel that business was actually behind Kennedy's fiscal program or his tax reduction and reform program, even though some groups of businessmen supported the latter. He is genuinely interested in seeking the advice and counsel of businessmen and does not wish them to be under the impression that he is "using them."

There are a number of items which I had intended to discuss with the President, but time ran out. They were:

1. The general scope of activity of CIA, most particularly in the areas of DDP. However, I am satisfied, after discussing the Truman article with the President, that he is in complete accord with our covert operations, including political action and paramilitary activities. However, he wishes to emphasize the correlating, estimating and reporting functions (i. e., DDI) in order to minimize the "cloak and dagger" aspects of CIA and the DCI.

2. I intended to suggest to the President that CIA be represented in his inter-departmental organization to examine foreign aid, or alternatively that we have an adviser or consultant sit with the committee. I would like the staff to give some consideration to this idea and give me their views upon my return.

However, there is some question as to whether we should become involved, either by direct participation or as consultants in this field.

3. The political action in Chile was not discussed. I would like more information upon my return on Item 4a and 4b.

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[REDACTED]

I am told that with three parties running for election in Chile that the Parliament or Congress has the final right to select one of the two candidates who receives the highest number of votes for the presidency. It is not necessary to select the one with the highest number. The number two man can be selected and legitimately established. Competent observers of the outlook of Chile politics have advised me that they feel that under no circumstances would the Socialist-Communist Popular Front candidate be chosen by the Parliament and furthermore, if by any chance he were, the military would not permit him to take office and a situation similar to that which developed in Peru a year ago would result.

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[REDACTED]

5. I did review briefly the items which could be covered at an NSC meeting. There was no agreement to call an NSC meeting for the specific purpose of reviewing the estimates on Communist China economy and armed forces and the Sino-Soviet dispute, although I believe this would be useful and should be arranged at an early date.

6. I did not bring up the question of the reorganization of USIB because it has not been cleared by the Joint Chiefs. In a later telephone conversation with General Carter I asked that he advise Gilpatric to postpone the effective date of the reorganization until I have had a chance to discuss the subject with the JCS.

16. I told the President that we had just completed a successful CORONA shot and had recovered the capsule. It was a [redacted] mission and we would expect a considerable amount of useful photography, probably covering as much as [redacted] of Soviet and ChiCom territory.

[redacted] I explained to him again the value of CORONA photography and stated that we would have frequent flights in the future. I reviewed briefly some of the photography which was sent to me, pointing out particularly such items [redacted] as examples of very useful intelligence gained through satellite photography. I did not go into details concerning [redacted] because of the shortness of time. This item might be placed on an agenda for a more extensive briefing in January.

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